

public in accordance with the provisions of 5 U.S.C. § 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-94-55 and should be submitted by February 17, 1995.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.¹³

Jonathan G. Katz,

Secretary.

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[Release No. 34-35258; File No. SR-Phlx-94-15]

**Self-Regulatory Organizations;
Philadelphia Stock Exchange, Inc.;
Order Granting Approval to Proposed
Rule Change Relating to Limited
Registration/Floor Member
Registration Status and the Use of the
Series 7A Examination**

January 20, 1995.

On October 3, 1994, the Philadelphia Stock Exchange, Inc. ("Phlx" or "Exchange") submitted to the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amend Rule 604, Registration and Termination of Registered Representatives, to adopt a limited registration provision applicable to persons conducting a professional customer business from the Phlx trading floor and to adopt the *Content Outline for the Examination Module for Floor Members Engaged in Public Business with Professional Customers* ("Content Outline"). The Exchange also proposes to adopt a requirement that persons conducting functions customarily performed by a registered representative must register and be qualified pursuant to Phlx Rule 604.

The proposed rule changes were published for comment in Securities Exchange Act Release No. 35055 (December 7, 1994), 59 FR 64452 (December 14, 1994). No comments were received on the proposals. This order approves the proposed rule changes.

I. Proposal

Phlx Rule 604, Registration and Termination of Registered Representatives, currently requires every registered representative of a member or participant organization to be registered with and approved by the Phlx. The Phlx proposes to amend Rule 604 to clarify that not only registered representatives, but also persons conducting functions customarily performed by a registered representative must register and be qualified pursuant to Phlx Rule 604.³ The Exchange seeks to clarify this requirement by adopting a specific provision in Rule 604(a) which would expressly state that conducting a public business requires registration pursuant to the General Securities Registered Representative ("Series 7") Examination.⁴

In addition to amending Rule 604(a), the Exchange seeks to adopt a new paragraph (c) of Rule 604 to permit a limited registration for persons conducting a professional customer business from the Phlx trading floor. In lieu of full registration as a registered representative, the proposed limited registration would apply to accepting orders from professional customers only, as defined in proposed Rule 604(c)(i).⁵ Limited registration/floor members would be required to register as such with the Exchange and pass an examination.⁶ This examination, a subset of the Series 7 Examination,

³ The Exchange notes that its members who are also NYSE members, for example, are currently subject to the NYSE's registration provisions; "Phlx-only" members would now be subject to a corresponding provision.

⁴ The Series 7 Examination is an industry-wide qualification examination for persons seeking registration as general securities representatives. The Commission recently approved a proposed rule change that updated the Series 7 Examination. Securities Exchange Act Release No. 34853 (October 18, 1994), 59 FR 53694.

⁵ The proposal would define a professional customer to include: a bank, trust company, insurance company, investment trust, state or political subdivision thereof, charitable or nonprofit educational institution regulated under the laws of the United States, or any state, or pension or profit sharing plan subject to ERISA or of an agency of the United States or of a state or political subdivision thereof or any person who has, or has under management, net tangible assets of at least sixteen million dollars. For purposes of this definition of professional customer, the term "person" shall mean the same as that term is defined in Phlx Rule 20, except that it shall not include natural persons.

⁶ The Exchange will use the Series 7A Examination that was approved in SR-NYSE-93-10 (Securities Exchange Act Release No. 32698 (July 29, 1993), 58 FR 41539). The Series 7A Examination for Phlx members will be administered by the New York Stock Exchange, Inc. ("NYSE"). Telephone conversation between Edith Hallahan, Special Counsel, Regulatory Services, Phlx and Elisa Metzger, Senior Counsel, Office of Market Supervision, Division of Market Regulation, SEC, on December 5, 1994.

would be tailored toward the professional customer business being conducted, testing knowledge required to conduct such a business. The advantage of such an examination is that it would cover important topics relevant to conducting a professional customer business, but not knowledge particular to conducting a retail business. The Content Outline details the topics contained in the examination: federal and state securities laws; general characteristics of equity securities and corporate bonds; conduct respecting customer accounts; primary and secondary securities markets; and order execution, confirmation, settlement and recordkeeping.

II. Discussion

The Commission finds that the proposed rule changes are consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and in particular, with the requirements of Sections 6(b)(5) and 6(c)(3)(B) of the Act.⁷ Section 6(b)(5) requires, among other things, that the rules of an exchange be designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Section 6(c)(3)(B) provides that a national securities exchange may examine and verify the qualifications of an applicant to become a person associated with a member in accordance with procedures established by the rules of the exchange, and require any person associated with a member, or any class of such persons, to be registered with the exchange in accordance with procedures so established.

The Commission also believes that the proposed rule changes are consistent with Section 15(b)(7) of the Act⁸ which stipulates that prior to effecting any transaction in, or inducing the purchase or sale of, any security, a registered broker or dealer must meet certain standards of operational capability, and that such broker or dealer (and all natural persons associated with such broker or dealer) must meet certain standards of training, experience, competence, and such other qualifications as the Commission finds necessary or appropriate in the public interest or for the protection of investors.

The Commission also believes that the amendment to Rule 604(a) will clarify

⁷ 15 U.S.C. § 78f(b)(5) and (c)(3)(B) (1988).

⁸ 15 U.S.C. § 78o(b)(7) (1988).

¹³ 17 CFR 200.30-3(a)(12) (1994).

¹ 15 U.S.C. § 78s(b)(1) (1988).

² 17 CFR 240.19b-4 (1991).

and put all persons on notice that any person who conducts a public business is required to be registered and qualified as a registered representative. Such registration would require, among other things, that a person complete the Series 7 examination, as described in rule 604(a)(ii).

The Commission believes that the Series 7A Examination requirement should help to ensure that only those floor members with a comprehensive knowledge of Exchange rules, as well as an understanding of the Act, will be able to conduct a public business limited to accepting orders directly from professional customers for execution on the trading floor. The Commission has determined that the Content Outline for the Series 7A Examination is sufficiently detailed and covers the appropriate information so as to provide an adequate basis for studying the topics covered on the examination. This outline should help to ensure that those persons taking the Series 7A Examination fully understand the subject matter of the examination.

Finally, the Commission believes that the proposed limited registration requirement for floor members engaged in a public business with professional customers is reasonable and is consistent with the requirements of Sections 6(b)(5) and 6(c)(3)(B) of the Act. This new category of registration would permit only those floor members who have demonstrated adequate skills and knowledge to conduct a public business which is generally limited to accepting orders directly from professional customers, as defined in the rule,⁹ for execution on the trading floor. The Phlx has argued that the level of knowledge, skills and abilities necessary to conduct such business is less than that needed to conduct a full service business with retail customers. The Commission believes that, because the Phlx will ensure that floor members handling professional customer business are adequately qualified through the use of either the Series 7 or Series 7A Examination, it is consistent with the Phlx's regulatory responsibilities to establish this category of limited registration.

III. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁰ that the proposed rule change (SR-Phlx-94-15) is approved.

⁹ See *supra* note 5.

¹⁰ 15 U.S.C. § 78s(b)(2) (1988).

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Jonathan G. Katz,

Secretary.

[FR Doc. 95-2074 Filed 1-26-95; 8:45 am]

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[Release No. 35-26219]

Filings Under the Public Utility Holding Company Act of 1935, as amended ("Act")

January 20, 1995.

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated thereunder. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendments thereto is/are available for public inspection through the Commission's Office of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by February 13, 1995, to the Secretary, Securities and Exchange Commission, Washington, DC 20549, and serve a copy on the relevant applications(s) and/or declarant(s) at the address(s) specified below. Proof of service (by affidavit or, in case of an attorney at law, by certificate) should be filed with the request. Any request for hearing shall identify specifically the issues of fact or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After said date, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

Entergy Corporation, et al.

[70-8535]

Entergy Corporation ("Entergy"), 639 Loyola Street, New Orleans, Louisiana 70113, a registered holding company, and its bulk power marketing subsidiary, Entergy Power, Inc. ("EPI") (together, "Applicants"), Three Financial Center, Little Rock, Arkansas 72211, have filed an application-declaration under sections 6(a), 7, 9(a), 10 and 12(b) of the Act and Rules 42, 43 and 45 thereunder.

The Applicants request authority for: (1) Entergy to recapitalize EPI through

the conversion of outstanding amounts of principal and interest under the existing \$250 million loan agreement between Entergy and EPI ("Loan Agreement") to capital contributions; and (2) Entergy to make additional equity investments in EPI from time-to-time through December 31, 1995 to fund EPI's working capital and other capital requirements.

By Commission orders, dated August 27, 1990 (HCAR No. 25136)¹ and July 16, 1992 (HCAR No. 25583) ("Orders"), EPI was formed and has been financed by Entergy to participate as a supplier of capacity and energy in the wholesale bulk power market. Under the Orders, EPI acquired the ownership interests of its associate company, Arkansas Power & Light Company in Unit 2 of the Independent Steam Electric Generating Station and Unit 2 of the Ritchie Steam Electric Generating Station representing an aggregate of 809 MW of capacity ("Transferred Capacity"). The Transferred Capacity included various leases, mine facilities and mining equipment, oil storage and handling facilities associated with providing fuel supplies for the Transferred Capacity.

Entergy and EPA state that various constraints on EPI's business activities, including the highly leveraged nature of its authorized capital structure and the consequent debt service requirements, which currently amounts to approximately \$4.1 million per quarter, have had a negative effect on EPI's financial condition and significantly impaired its ability to market and sell the Transferred Capacity. In order to provide EPI with a capital structure more suited to EPI's authorized activities by eliminating EPI's debt service requirements under the Loan Agreement, Entergy and EPI propose to terminate the Loan Agreement and to convert to capital contributions all outstanding borrowings, in the approximate amount of \$217.55 million, together with any accrued and unpaid interest through the date of the conversion. After the recapitalization, EPI's capital structure would consist of 100% equity.

The Applicants further propose that Entergy make additional equity investments in EPI from time-to-time through December 31, 1995 in an aggregate amount not to exceed the approximate total principal amount of additional borrowings EPI could have been under the Loan Agreement, as of September 30, 1994, or \$32.45 million.

¹ This order is currently before the commission on remand from the D.C. Circuit Court of Appeals. See, *New Orleans v. SEC*, 969 F.2d 1163 (D.C. Cir. 1992).

¹¹ 17 CFR 200.30-3(a)(12) (1991).